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C O N F I D E N T I A L SECTION 01 OF 02 TAIPEI 002989

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SUBJECT: SENATOR ROCKEFELLER'S TRIP TO TAIWAN

Classified By: AIT Acting Director David Keegan, Reason 1.4 (b/d)

1. (C) Summary: During his May 28-30 visit to Taiwan, Senate Finance and Intelligence Committee Member John D. Rockefeller (D-WV) met with President Chen Shui-bian, Premier Frank Hsieh, and Foreign Minister Mark Chen. In these meetings and in his public speech to an economic think-tank, Senator Rockefeller expressed his support for pursuing a Free Trade Agreement (FTA) and stressed the importance of passing the USD 18 billion Special Defense Procurement Budget. Senator Rockefeller also encouraged pragmatic economic and political policies to temper cross-Straits tensions and told Taiwan officials that despite his own understanding of the value of a well-constructed FTA, many Members of Congress and the American public are growing wary of FTAs and that it will be difficult to achieve an FTA agreement. End summary.

2. (C) In his May 30 meeting with Taiwan Premier Frank Hsieh, Senator Rockefeller offered his support for moving on Taiwan-US FTA talks, but advised Hsieh that such an agreement would not be easy to achieve. Rockefeller pointed out that the mood in the US Congress toward FTAs has soured because of outsourcing and job losses in the manufacturing sector. Senator Rockefeller added that a US-Taiwan FTA would not pass quickly because there are many other FTAs that are currently under consideration in Congress. Nevertheless, he maintained that it is important to begin the FTA process because it will encourage other nations to consider similar pacts with Taiwan. Rockefeller also expressed to Hsieh his disappointment over Taiwan's political in-fighting and the current cross-Straits situation and encouraged quick approval of the constitutional reforms that are under consideration in the National Assembly (NA) to bring Taipei into a two party system. He further urged Hsieh to adopt policies that would contribute to stable cross-Straits relations and maintain the status quo.

3. (C) Premier Hsieh thanked Rockefeller for engaging in FTA negotiations, noting that he realizes the FTA approval process will be difficult. Hsieh told the Senator that an FTA is vital for Taiwan's future economic growth and agreed with Rockefeller that other countries would follow suit if Taiwan had an FTA with the US. He expressed his hope that an FTA would be achieved within two years. Noting that the PRC has been using its growing power to isolate Taiwan economically, Hsieh pointed to Taiwan's efforts to sign FTAs in Latin America that were derailed by Beijing. Hsieh agreed with Senator Rockefeller that stable cross-Straits ties should be Taiwan's main priority and suggested that once constitutional reforms are passed by the NA, more progress will be made on cross-Straits relations.

4. (C) Senator Rockefeller expanded his FTA and cross-Straits discussions during his May 30 meeting with President Chen. He told Chen that he supports moving forward on an FTA with Taiwan, but that many Members of Congress and Americans are suspicious of FTAs and are growing wary of rising trade and budget deficits. The Senator said that he believes that it is important to push forward on an FTA because such an agreement with the US would remove some of the hesitancy of other nations on associating with Taiwan because of PRC pressure. Senator Rockefeller told to Chen that he would work to pursue an FTA, but explained that success might not be achieved right away. The Senator also expressed his disappointment over Taiwan's declining defense budget and said that most Americans erroneously believe that Taiwan has a robust defense capability. He expressed his hope that Taiwan can put aside political differences and pass the Special Budget soon.

5. (C) President Chen told Senator Rockefeller that Taiwan is being marginalized around the world and that the PRC is blocking Taipei's efforts to integrate into the global economy. Chen said that Beijing's efforts have a direct impact on Taiwan's economic stability and Taipei's national security capabilities. Noting that economic security is just as important as defense security, he said that an FTA would play a vital role in ensuring Taiwan's future economic prosperity. Chen expressed his appreciation for Rockefeller's support and said, while he understood an FTA would not happen right away, Taipei and Washington should begin FTA discussions soon because this would have tremendous symbolic benefit for Taiwan. Without an FTA, Chen lamented, Taiwan will not be able to meet future PRC challenges and its economic and security posture will continue to weaken.

16. (C) In response to Senator Rockefeller's concern over Taiwan's declining defense budget, President Chen insisted his government is committed to the Special Budget. He predicted that after July the timing and political environment would be more suitable for the Legislative Yuan (LY) to take action on the Special Budget. There were many roadblocks over the past year which contributed to the political deadlock in the LY, he explained, including the presidential election, the LY elections, Pan-Blue trips to the PRC, and now the July KMT party Chair election. After July, however, opposition political maneuvering will decline, Chen told the Senator, and the Special Budget will have a serious chance of passage then.

17. (U) Senator Rockefeller has reviewed and cleared this message.
KEEGAN